

**DECKERVILLE COMMUNITY SCHOOLS**

Deckerville, Michigan

Report on Financial Statements

(with additional information)

June 30, 2008

**DECKERVILLE COMMUNITY SCHOOLS**  
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**Deckerville Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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Deckerville Community School District, a K-12 school district located in Sanilac County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Deckerville Community School District administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2008 and June 30, 2007.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

**Fund Financial Statements**

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, school districts' major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in various other funds. These include Special Revenue Funds, Debt Service Funds, and Fiduciary Funds.

In the fund financial statements, capital assets purchased are reported as expenditures in the year of acquisition with no asset being reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. The obligations for future years' debt service are not recorded in the fund financial statements.

**Government-wide Financial Statements**

The government-wide financial statements are required by GASB 34. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. All of the District's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation, as well as the bonded debt of the District.

**Deckerville Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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## **Summary of Net Assets**

The following schedule summarizes the net assets at fiscal year ended June 30, 2008 and 2007:

<b>Assets</b>	<b>6/30/2008</b>	<b>6/30/2007</b>
Current assets	\$ 3,759,603	\$3,861,582
Noncurrent assets	4,685,301	4,654,150
Total assets	<u>\$ 8,444,904</u>	<u>\$8,515,732</u>
<b>Liabilities</b>		
Current liabilities	\$ 944,805	\$892,187
Long-term liabilities	1,982,319	2,453,098
Total liabilities	2,927,124	3,345,285
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,613,293	2,248,325
Restricted for debt service	655,544	542,330
Unrestricted	2,248,943	2,379,792
Total net assets	5,517,780	5,170,447
Total liabilities and net assets	<u>\$ 8,444,904</u>	<u>\$8,515,732</u>

### **Analysis of Financial Position**

During the fiscal year ended June 30, 2008, the District's net assets increased by \$347,333. A few of the more significant factors affecting net assets during the year are discussed below.

#### **1. Early Retirement Incentives**

For the year ended June 30, 2008, the School District approved Early Retirement Incentives for 15 employees totaling \$450,000. The amounts of \$10,000 per year per employee will be paid over a three year period. The entire amount was recorded as a liability of the school district.

#### **2. Depreciation Expense**

GASB 34 requires school districts to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the assets. In accordance with GAAP, depreciation expense is calculated based on the original cost of the asset less an estimated salvage value, where applicable. For the fiscal year ended June 30, 2008, \$223,936 was recorded for depreciation expense.

**Deckerville Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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**2. Capital Outlay Acquisitions**

For the fiscal year ended June 30, 2008, \$263,578 of expenditures were capitalized and recorded as assets of the District. These additions to the District's capital assets will be depreciated over time as explained above.

**Results of Operations**

For the fiscal year ended June 30, 2008 and 2007, the results of operations, on a District-wide basis, were:

	Year Ended June 30, 2008	% of Total	Year Ended June, 30, 2007	% of Total
<b>General Revenues</b>				
Property Taxes	\$ 1,577,249	23.36%	\$ 1,657,741	23.49%
Investment earnings	93,184	1.38%	130,740	1.85%
State sources	4,365,715	64.65%	4,532,799	64.22%
Other	117,726	1.74%	90,131	1.28%
Total general revenues	6,153,874	91.13%	6,411,411	90.83%
<b>Program Revenues</b>				
Charges for services	180,836	2.68%	185,093	2.62%
Operating grants	418,050	6.19%	461,913	6.54%
Total revenues	6,752,760	100.00%	7,058,417	100.00%
<b>Expenses</b>		0.00%		
Instruction	3,473,127	51.43%	3,371,107	53.25%
Support services	1,998,133	29.59%	2,049,046	32.36%
Community services	127,293	1.89%	81,226	1.28%
Food services	341,135	5.05%	319,765	5.05%
Athletics	198,950	2.95%	202,827	3.20%
Interest on long-term debt	34,362	0.51%	42,231	0.67%
Amortization	8,491	0.13%	8,491	0.13%
Unallocated depreciation	223,936	3.32%	256,616	4.05%
Total expenses	6,405,427	94.86%	6,331,309	100.00%
Increase (decrease) in net assets	<u>\$ 347,333</u>		<u>\$ 727,108</u>	

**Deckerville Community Schools**  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2008

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**Analysis of Significant Revenues and Expenses**

Significant revenues and expenditures are discussed in the segments below:

**1. Property Taxes**

The District levied 16.8858 mills of property taxes for operations on non-homestead properties. According to Michigan law, the taxable levy is based on the taxable valuation of properties. The annual taxable valuation increases are capped at the rate of the prior year's Consumer's Price Index increase or 5%, whichever is less. At the time property is sold, its taxable valuation is readjusted to the State Equalized Value, which in theory is half of the property's market value.

For the 2007-2008 fiscal year, the district levied \$1,180,819 non-homestead property taxes. This represented an increase of 5.5 % from the prior year. The amount of unpaid property taxes at June 30, 2008, less an estimate for those deemed to be un-collectible, was \$3,000.

The following table summarizes the non-homestead property tax levies for operations for the past five years:

Fiscal Year	Non-homestead Tax Levy	% Increase (Decrease) From Prior Year
2007 – 2008	\$ 1,180,819	5.50%
2006 – 2007	1,119,512	-0.02%
2005 – 2006	1,121,761	11.00%
2004 – 2005	1,010,606	6.29%
2003 – 2004	950,819	2.52%

**2. State Sources**

The majority of the state sources is comprised of the per student foundation allowance. The State of Michigan funds districts based on a blended student enrollment. The blended enrollment consists of 75% of the current year's fall count and 25% of the prior year's spring count. For the 2007 – 2008 fiscal year, the District's foundation allowance was \$7,204 per student FTE, which represented a 1.68% increase over the amount received for the 2006 – 2007 fiscal year.

**3. Student Enrollment**

The following schedule lists the actual blended student FTE for the past five fiscal years:

	Actual Blended Student FTE
2007—2008	690
2006—2007	734
2005—2006	772
2004—2005	798
2003—2004	826

**Deckerville Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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**4. Operating Grants**

The District funds a significant portion of its operations with categorical sources. For the fiscal year ended June 30, 2008, federal, state and other grants accounted for \$418,050. This represents a decrease of \$43,863 over the total grant sources received for the 2006 – 2007 fiscal year.

**5. Interest Earnings**

The District received interest on its investments in the amount of \$93,184 for the fiscal year ended June 30, 2008.

**6. Comparative Expenditures**

A comparison of the expenditures reported on the Statement of Revenues, Expenditures, and Changes in Fund balances is shown below.

	<u>2007-2008</u> <u>Fiscal Year</u>	<u>2006-2007</u> <u>Fiscal Year</u>	<u>Increase</u> <u>(Decrease)</u>
<b>Expenditures</b>			
Instruction	\$ 3,608,187	\$ 3,565,464	\$ 42,723
Supporting services	2,259,124	2,031,783	227,341
Community services	127,293	81,226	46,067
Food service activities	341,135	322,782	18,353
Athletic activities	198,950	202,827	(3,877)
Capital Outlay		-	-
Debt Service	<u>365,762</u>	<u>364,507</u>	<u>1,255</u>
Total expenditures	<u>\$ 6,900,451</u>	<u>\$ 6,568,589</u>	<u>\$ 331,862</u>

**Deckerville Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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**General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to its starting on July 1<sup>st</sup>. Any amendments made to the operating budget must be approved by the Board prior to the close of the fiscal year on June 30<sup>th</sup>.

For the 2007 – 2008 fiscal year, the district amended the general fund budget two times with the Board adopting the final changes in June 2008. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance with Final Budget positive (negative)	% Variance
<b>Total revenues</b>	<u>\$ 5,904,350</u>	<u>\$ 5,900,264</u>	<u>\$ 5,953,438</u>	<u>\$ 53,174</u>	<u>0.90%</u>
<b>Expenditures</b>					
Instruction	3,449,340	3,564,991	3,608,187	-43,196	-1.21%
Supporting services	2,412,535	2,259,080	2,259,124	-44	0.00%
services	<u>94,345</u>	<u>129,255</u>	<u>127,293</u>	<u>1,962</u>	<u>1.52%</u>
<b>Total expenditures</b>	<u>\$ 5,956,220</u>	<u>\$ 5,953,326</u>	<u>\$ 5,994,604</u>	<u>\$ (41,278)</u>	<u>-0.69%</u>

**Capital Asset and Debt Administration**

**Capital Assets**

By the end of the 2007 – 2008 fiscal year, the district had invested \$7,980,261 in a broad range of capital assets, including school buildings and facilities, school buses and other vehicles, and various types of equipment. This represents an increase of \$195,590 over the prior fiscal year. Depreciation expense for the year amounted to \$223,936 bringing the accumulation to \$3,311,940 as of June 30, 2008.

**Long- term Debt**

At June 30, 2008, the District had \$2,474,440 in debt outstanding. This represents a decrease of \$462,473 over the amount outstanding at the close of the prior fiscal year.



**Deckerville Community Schools**  
**Management's Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2008**

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**Factors Bearing on the District's Future**

At the time that these financial statements were prepared and audited, the District was aware of the following items that could significantly affect its financial health in the future.

- With the current economic condition in the country, and especially in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2008 - 2009 fiscal year. The early indication is that the foundation allowance will not be finalized until well into the school year which will pose a challenge to the District to maintain structural balance while continuing with its educational programming.
- Student count is projected to continue to decline over the next 5 years.
- As with other employers, the District continues to face increases in rates paid for employee benefits, particularly for health insurance while retirement benefits have actually declined slightly.
- The contract with the Deckerville Community Schools Education Association, the union that represents the teaching staff, expires August 22, 2008.
- The state of Michigan continues to increase its focus on student achievement. Results of standardized test scores (Michigan Education Assessment Program) are compared from year to year, with the results being tabulated by school building and by district. With the changes to the federal Title I legislation resulting from the No Child Behind Act, adequate yearly progress of students will be more important as certain portions of funding are now tied to it.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, please contact:

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August 13, 2008

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Deckerville Community Schools  
Deckerville, Michigan 48427

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Deckerville Community School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2008 on our consideration of Deckerville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vii and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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To the Board of Education  
Deckerville Community Schools  
August 13, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the primary government of Deckerville Community Schools' basic financial statements. The additional information on pages 23 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## BASIC FINANCIAL STATEMENTS

**DECKERVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

**ASSETS**

**CURRENT ASSETS:**

Cash	\$ 839,312
Investments	2,048,486
Accounts receivable	23,000
Due from other governmental units	805,219
Due from other funds	40,586
Property taxes receivable	<u>3,000</u>

TOTAL CURRENT ASSETS	<u>3,759,603</u>
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**NONCURRENT ASSETS:**

Deferred charges on debt refunding	50,944
Amortization of bond issuance cost	(33,964)
Capital assets	7,980,261
Less accumulated depreciation	<u>(3,311,940)</u>

TOTAL NONCURRENT ASSETS	<u>4,685,301</u>
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<b>TOTAL ASSETS</b>	<b><u>\$ 8,444,904</u></b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES:**

Accounts payable	\$ 11,959
Accrued salaries & wages	275,636
Deferred revenue	-
Accrued payroll taxes	160,489
Accrued interest	4,600
Current portion of early retirement incentives	150,000
Current portion of long term debt	<u>342,121</u>

TOTAL CURRENT LIABILITIES	<u>944,805</u>
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**NONCURRENT LIABILITIES:**

Noncurrent portion of compensated absences	252,432
Noncurrent portion of long term debt	<u>1,729,887</u>

TOTAL NONCURRENT LIABILITIES	<u>1,982,319</u>
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**NET ASSETS:**

Invested in capital assets, net of related debt	2,613,293
Restricted for debt service	655,544
Unrestricted	<u>2,248,943</u>

TOTAL NET ASSETS	<u>5,517,780</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 8,444,904</u></b>
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The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	PROGRAM REVENUES		GOVERNMENTAL ACTIVITIES
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,473,127		\$ 138,838	\$ (3,334,289)
Support services	1,998,133		92,558	(1,905,575)
Community services	127,293	\$ -		(127,293)
Food services	341,135	132,557	186,654	(21,924)
Athletics	198,950	48,279		(150,671)
Interest on long-term debt	34,362		-	(34,362)
Amortization	8,491			(8,491)
Unallocated depreciation	223,936			(223,936)
Total governmental activities	<u>\$ 6,405,427</u>	<u>\$ 180,836</u>	<u>\$ 418,050</u>	(5,806,541)
General revenues:				
Property taxes, levied for general purposes				1,180,819
Property taxes, levied for debt service				396,430
State of Michigan school aid unrestricted				4,365,715
Investment revenue				93,184
Miscellaneous				117,726
Total general revenue				<u>6,153,874</u>
Change in net assets				347,333
Net assets, beginning of year				<u>5,170,447</u>
Net assets, end of year				<u>\$ 5,517,780</u>

The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2008

	<u>GENERAL FUND</u>	<u>QZAB BOND PROGRAM</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>				
CURRENT ASSETS:				
Cash	\$ 735,835		\$ 103,477	\$ 839,312
Investments	1,388,935	\$ 533,071	126,480	2,048,486
Accounts receivable	-		23,000	23,000
Due from other governmental units	805,219			805,219
Due from other funds	40,586			40,586
<b>TOTAL ASSETS</b>	<b><u>\$ 2,970,575</u></b>	<b><u>\$ 533,071</u></b>	<b><u>\$ 252,957</u></b>	<b><u>\$ 3,756,603</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>				
LIABILITIES:				
Accounts payable	\$ 4,497	\$ -	\$ 7,462	\$ 11,959
Accrued salaries & wages	275,636			275,636
Due to other funds		-		-
Deferred revenue	-	-		-
Accrued payroll taxes	160,489	-	-	160,489
<b>TOTAL LIABILITIES</b>	<b><u>440,622</u></b>	<b><u>-</u></b>	<b><u>7,462</u></b>	<b><u>448,084</u></b>
FUND BALANCE:				
Unreserved:				
Designated for compensated absences	402,432			402,432
Undesignated	2,127,521		118,422	2,245,943
Reserved for debt retirement		533,071	127,073	660,144
<b>TOTAL FUND BALANCE</b>	<b><u>2,529,953</u></b>	<b><u>533,071</u></b>	<b><u>245,495</u></b>	<b><u>3,308,519</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 2,970,575</u></b>	<b><u>\$ 533,071</u></b>	<b><u>\$ 252,957</u></b>	<b><u>\$ 3,756,603</u></b>

The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS**  
**RECONCILIATION OF THE GOVERNMENT FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
June 30, 2008

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 3,308,519</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of capital assets is:	7,980,261
Accumulated depreciation is:	(3,311,940)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable:	(2,072,008)
Early retirement incentives	(150,000)
Compensated absences	(252,432)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid:	(4,600)

Deferred charges for bond refunding	50,944
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Amortization of bond issuance costs	(33,964)
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Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts	3,000
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<b>Net Assets of Governmental Activities</b>	<b><u>\$ 5,517,780</u></b>
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The accompanying notes are an integral part of the financial statements.



**DECKERVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2008

	<u>GENERAL FUND</u>	<u>QZAB BOND PROGRAM</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:				
Local sources				
Property tax	\$1,180,819		\$ 386,430	\$ 1,577,249
Interest income	87,432		5,752	93,184
Food sales and athletic admissions			180,836	180,836
Other	114,738		2,988	117,726
State sources	4,339,053		26,662	4,365,715
Federal sources	231,396		186,654	418,050
<b>TOTAL REVENUES</b>	<u>5,953,438</u>	<u>-</u>	<u>799,322</u>	<u>6,752,760</u>
EXPENDITURES:				
Instruction	3,608,187			3,608,187
Supporting services	2,259,124			2,259,124
Community services	127,293			127,293
Food services activities			341,135	341,135
Athletic activities			198,950	198,950
Capital outlay			-	-
Debt service:			-	-
Principal retirement			330,000	330,000
Interest			35,214	35,214
Other			548	548
<b>TOTAL EXPENDITURES</b>	<u>5,994,604</u>	<u>-</u>	<u>905,847</u>	<u>6,900,451</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(41,166)</u>	<u>-</u>	<u>(106,525)</u>	<u>(147,691)</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds		\$ 76,153	147,455	223,608
Payment to ISD		-		-
Transfer to other funds	(223,608)			(223,608)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(223,608)</u>	<u>76,153</u>	<u>147,455</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES (USES)</b>	<u>(264,774)</u>	<u>76,153</u>	<u>40,930</u>	<u>(147,691)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,794,727</u>	<u>458,918</u>	<u>204,565</u>	<u>3,456,210</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$2,529,953</u>	<u>\$ 533,071</u>	<u>\$ 245,495</u>	<u>\$ 3,308,519</u>

The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
June 30, 2008

**Total net change in fund balances - governmental funds** **\$ (147,691)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(223,936)
Amortization	(8,491)
Capital outlay	263,578
Loss on Disposal of Assets	-

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	6,000
Accrued interest payable at the end of the year	(4,600)

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities)	333,816
--	---------

Loan proceeds are a revenue in the governmental funds, but not in the statement of activities (where it is an increase of liabilities)	-
--	---

Early retirement incentives are reported on the accrual method in the statement of activities and recorded as an expenditure when due in the governmental funds:

Accrued early retirement incentives beginning of the year	300,000
Accrued early retirement incentives end of the year	(150,000)

Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when due in the governmental funds:

Accrued compensated absences beginning of the year	231,089
Accrued compensated absences end of the year	(252,432)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue at the beginning of the year	(3,000)
Accrued revenue at the end of the year	3,000

<b>Change in net assets of governmental activities</b>	<b>\$ 347,333</b>
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The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
June 30, 2008

		<u><b>AGENCY FUNDS</b></u>
	<b>ASSETS</b>	
CURRENT ASSETS		
Cash		\$ 113,561
<b>TOTAL ASSETS</b>		<u><b>\$ 113,561</b></u>
	<b>LIABILITIES AND NET ASSETS</b>	
LIABILITIES		
Due to general fund		\$ 40,586
Due to student organizations		72,975
<b>TOTAL LIABILITIES</b>		<u><b>\$ 113,561</b></u>

The accompanying notes are an integral part of the financial statements.

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The School district was organized in 1915 and presently covers approximately 170 square miles covering all or parts of 8 Townships in Sanilac County. The School District operates under an elected School Board (7 members) and provides educational services to approximately 690 students.

The basic financial statements of the Deckerville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**REPORTING ENTITY:**

The Deckerville Community Schools (the "District") is governed by the Deckerville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statements No. 14 and 39.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as general revenues.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):**

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**GOVERNMENTAL FUNDS:**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *QZAB debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**OTHER NON-MAJOR FUNDS:**

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *1995 & Durant debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:**

**Accrual Method:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1998, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**Modified Accrual Method:**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

**State Foundation Revenue:**

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the blended pupil membership counts taken in February and September of the last three years.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 - August, 2008. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

**State Categorical Revenue:**

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION, (Continued):**

**Federal Revenue:**

Expenditure-driven grants are recognized when the qualifying expenditures have been incurred and all other grant requirements have been met.

**ASSETS, LIABILITIES AND EQUITY:**

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

The District along with certain other governmental units is permitted by the Constitution of the State of Michigan of 1963 to levy combined taxes up to \$50 per \$1,000 of assessed valuation for general governmental services other than the payment of Debt Service Fund expenses if approved by a majority of the electors. The District must include certain tax levies of other governmental units located within the District, primarily the county, when determining the maximum millage of \$50 per \$1,000 of assessed valuation. For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<b><u>FUND</u></b>	<b><u>MILLS</u></b>
General Fund - Non Homestead	16.8858
1995 Debt Service Fund – Homestead and non-homestead	2.1000

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

4. Inventories and Prepaid items.

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/ from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

6. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's capitalization policy is to capitalize individual amounts exceeding \$2,500. Group purchases are evaluated on a case-by-case basis.

7. Compensated Absences.

Teachers with ten years or more of consecutive service will be paid \$40 per day for unused sick days if they leave the district. Each teacher shall be credited with eleven sick leave days at the beginning of each school year that can be accumulated to one hundred eighty days. All unused sick leave days in excess of one hundred eighty days shall be paid to the teacher at the end of the school year on the basis of \$40 per day.

Other employee groups have contracts with negotiated sick leave benefits at varying levels. The long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.



**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (CONTINUED):**

**ASSETS, LIABILITIES AND EQUITY, (Continued):**

8. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30, are accrued, if material.

9. Long-term obligations.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

11. Use of Estimates.

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:**

Budgets are adopted on a basis consistent with U. S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.
6. The budget as presented, has been amended, supplemental appropriations were made during the year with the last one approved prior to June 30.
7. Total instructional expenditures for the year exceeded the final budget by \$43,196. This is a violation of the budgeting act.

**NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK:**

As of June 30, 2008, the District had the following investments.

<b>Investment Type</b>	<b>Fair value</b>	<b>Maturity (Years)</b>	<b>&amp; Poor's Rating</b>	<b>%</b>
MILAF External pool - MICMS	310	0.0027	AAAm	0.0%
MILAF External pool - MIMAX	1,515,105	0.0027	AAAm	74.0%
Guaranteed Investment Contract (GIC)	533,071	2.1000	A1+	26.0%
Total fair value	<u>\$ 2,048,486</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.4933</u>		
1 day maturity equals 0.0027, one year equals 1.00				

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):**

**Interest rate risk.** In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

**Concentration of credit risk.** The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2008, the carrying amount of the District's deposits was \$952,473 and the bank balance was \$1,163,367. Of the bank balance, \$300,863 was covered by federal deposit insurance while the remaining bank balance of \$862,504 was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

**Custodial credit risk - investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

The District's Guaranteed Investment Contract is collateralized and invested for the purpose of paying off the Note Payable Disclosed in Note 8.

The Investment Agreement, dated as of April 12, 2001, by and among LaSalle Bank, as the Depository on behalf of both the participating Michigan School District and the Michigan Municipal Bond Authority, and Wachovia, as Provider.

The net proceeds from the sale of the School Improvement Bonds were loaned by the Authority to Michigan School Districts. Such Loans are to be repaid with annual set-a-side installments deposited with the Depository for investment under the Investment Agreement. Set-a-side installments are deposited under the Investment Agreement versus Permitted Investments (collateral securities) equaling at least 103% of the deposited amount and such Permitted Investments are held by the Depository in a fiduciary capacity.

The Guaranteed Rate under this Investment Agreement (commonly referred to as guaranteed investment contract-GIC or collateralized investment agreement-CIA) is 2.0% (simple interest actual days elapsed over a 365-day year).

The Guarantor is Wachovia, as guarantor of the Provider's obligations under this Investment Agreement.

**DECKERVILLE COMMUNITY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 3 – DEPOSITS AND INVESTMENTS - CREDIT RISK, (Continued):**

**Foreign currency risk.** The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits - including fiduciary funds of \$113,561	\$ 952,873
Investments	<u>2,048,486</u>
	<u><u>\$ 3,001,359</u></u>

The above amounts are reported in the financial statements as follows:

Cash - District wide	\$ 839,312
Fiduciary Funds	113,561
Investments - District wide	<u>2,048,486</u>
	<u><u>\$ 3,001,359</u></u>

**NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:**

**Plan Description** – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% through September 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006 were \$550,570, \$574,222, and \$628,126, respectively, and were equal to the required contribution for the year.

**DECKERVILLE COMMUNITY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 4 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN, (Continued):**

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-Employment Benefits – Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

**NOTE 5 - RISK MANAGEMENT:**

The District is exposed to risk of loss related to injuries to employees'. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

The Trust & Agency Fund is the custodian for several accounts that are considered school district funds, the balance of which is payable to the General Fund.

	<b><u>INTERFUND RECEIVABLE</u></b>	<b><u>INTERFUND PAYABLE</u></b>
General Fund	\$ 40,586	
Trust & Agency Fund	-	\$ 40,586
Total	<u>\$ 40,586</u>	<u>\$ 40,586</u>

**NOTE 7 - LONG-TERM DEBT:**

During the year ended June 30, 2004 the District refinanced the 1995 bonds. New general obligation bonds were issued at a premium after paying issuance costs of \$65,083, the net proceeds were \$2,254,517. The net proceeds from the issuance of the general obligation bonds along with \$185,000 from the District's Debt Retirement Fund were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the term bonds are called on May 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the District's government-wide financial statements.

As a result of the advance refunding, the District reduced its total debt service requirements by \$351,368, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$285,694.

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 7 - LONG-TERM DEBT, (Continued):**

The following is a summary of the long-term debt of the school district for the year ended June 30, 2008:

	<b>SERIAL BONDS</b>
Balance payable - July 1, 2007	\$ 2,936,914
Increase in accumulated compensated absences	21,343
Decrease in early retirement incentives	(150,000)
Durant payment	None
Bonds paid	(330,000)
Capital lease payments	(3,817)
	<hr/>
Balance payable June 30, 2008	<u>\$ 2,474,440</u>

As of June 30, 2008, the school district had the following long-term debt outstanding:

1998 Durant bonds; 4.76% interest.	\$ 34,926
QZAB Bonds; no interest	\$ 990,000
2004 Refunding Bonds; interest rates from 2.0% to 2.8%	\$ 1,035,000
Early retirement incentives	\$ 150,000
Compensated absences	\$ 252,432
Capital lease obligations	\$ 12,082

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 342,121	\$ 28,569	\$ 370,690
2010	352,278	19,618	371,896
2011	362,442	10,483	372,925
2012	4,435	370	4,805
2013	20,732	7,285	28,017
2014	990,000		990,000
Accumulated early retirement incentives	150,000		150,000
Accumulated compensated absences	252,432		252,432
	<hr/>		<hr/>
<b>TOTAL</b>	<u><b>\$2,474,440</b></u>	<u><b>\$66,325</b></u>	<u><b>\$2,540,765</b></u>

An amount of \$660,144 is available in the debt service fund to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2008 was \$35,214.

**DECKERVILLE COMMUNITY SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

**NOTE 8 – QZAB FUND:**

On April 12, 2001 the District borrowed \$990,000 through the Qualified Zone Academy Bond Program for the purpose of partially remodeling, equipping and re-equipping existing school facilities. The bonds are to be repaid with twelve annual installments of \$76,153 commencing on April 12, 2002 and a final installment of \$76,164 on April 12, 2014, being paid into a Trust Account to provide the funds to repay the bond principal in one payment of \$990,000 on April 14, 2014. The bonds are interest-free and the balance on June 30, 2005 is \$990,000. The balance in this trust account at June 30, 2008 is \$ 533,071.

**NOTE 9 – TRANSFERS:**

The general fund during the current fiscal year transferred \$147,455 to the athletic fund to subsidize operations and \$76,153 to the QZAB debt retirement fund to fund the annual payment.

**NOTE 10 – CAPITAL ASSETS:**

A summary of changes in the District's capital assets follows:

	<u>BALANCE JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE JUNE 30, 2008</u>
Capital assets:				
Buildings and additions	\$ 5,731,669	\$ 141,257		\$ 5,872,926
Technology	271,903	45,062		316,965
Athletic equipment	469,887			469,887
General equipment	529,172	9,985		539,157
Transportation	782,040	67,274	\$67,988	781,326
Subtotal	<u>7,784,671</u>	<u>263,578</u>	<u>67,988</u>	<u>7,980,261</u>
Accumulated depreciation:	<u>(3,155,992)</u>	<u>(223,936)</u>	<u>67,988</u>	<u>(3,311,940)</u>
Net capital assets	<u>\$ 4,628,679</u>	<u>\$ 39,642</u>	<u>\$ -</u>	<u>\$ 4,668,321</u>

Depreciation expense was charged as unallocated to the governmental activities in the amount of \$223,936.

## REQUIRED SUPPLEMENTARY INFORMATION



**DECKERVILLE COMMUNITY SCHOOLS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended June 30, 2008

	<b>BUDGET</b>			<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	
REVENUES:				
Local sources	\$ 1,276,738	\$ 1,329,419	\$ 1,382,989	\$ 53,570
State sources	4,426,757	4,343,244	4,339,053	(4,191)
Federal sources	200,855	227,601	231,396	3,795
<b>TOTAL REVENUES</b>	<b>5,904,350</b>	<b>5,900,264</b>	<b>5,953,438</b>	<b>53,174</b>
EXPENDITURES:				
Instruction	3,449,340	3,564,991	3,608,187	(43,196)
Supporting services	2,412,535	2,259,080	2,259,124	(44)
Community services	94,345	129,255	127,293	1,962
Principal retirement				-
<b>TOTAL EXPENDITURES</b>	<b>5,956,220</b>	<b>5,953,326</b>	<b>5,994,604</b>	<b>(41,278)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(51,870)</b>	<b>(53,062)</b>	<b>(41,166)</b>	<b>11,896</b>
OTHER FINANCING SOURCES (USES):				
Transfer to Athletic Fund	143,427	(146,992)	(147,455)	(463)
Payment to ISD	4,900	-	-	-
Transfer to QZAB Bond Program	76,153	(76,153)	(76,153)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>224,480</b>	<b>(223,145)</b>	<b>(223,608)</b>	<b>(463)</b>
<b>EXCESS OF REVENUES OVER EXPEN- DITURES &amp; OTHER SOURCES (USES)</b>	<b>172,610</b>	<b>(276,207)</b>	<b>(264,774)</b>	<b>11,433</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>2,794,727</b>	<b>2,794,727</b>	<b>2,794,727</b>	
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 2,967,337</b>	<b>\$ 2,518,520</b>	<b>\$ 2,529,953</b>	<b>\$ 11,433</b>

## ADDITIONAL INFORMATION

**DECKERVILLE COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
June 30, 2008

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
<b><u>ASSETS</u></b>			
CURRENT ASSETS			
Cash	\$ 102,884	\$ 593	\$ 103,477
Investments		126,480	126,480
Accounts receivable	23,000		23,000
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 125,884</u></b>	<b><u>\$ 127,073</u></b>	<b><u>\$ 252,957</u></b>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
LIABILITIES			
Accounts payable	\$ 7,462		\$ 7,462
Accrued payroll taxes			-
<b><u>TOTAL LIABILITIES</u></b>	<b><u>7,462</u></b>	<b><u>-</u></b>	<b><u>7,462</u></b>
FUND BALANCE			
Unreserved:			
Designated for debt retirement		\$ 127,073	127,073
Undesignated	118,422		118,422
<b><u>TOTAL FUND BALANCE</u></b>	<b><u>118,422</u></b>	<b><u>127,073</u></b>	<b><u>245,495</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCE</u></b>	<b><u>\$ 125,884</u></b>	<b><u>\$ 127,073</u></b>	<b><u>\$ 252,957</u></b>

**DECKERVILLE COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2008**

	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
REVENUES:			
Local sources			
Property tax		\$ 396,430	\$ 396,430
Interest income	\$ 759	4,993	5,752
Food sales and athletic admissions	180,836		180,836
Other	2,988	-	2,988
State sources	26,662	-	26,662
Federal sources	186,654		186,654
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	397,899	401,423	799,322
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Food services activities	341,135		341,135
Athletic activities	198,950		198,950
Capital outlay			-
Debt service:			
Principal retirement		330,000	330,000
Interest		35,214	35,214
Other		548	548
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	540,085	365,762	905,847
	<hr/>	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(142,186)	35,661	(106,525)
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES:			
Transfers from other funds	147,455	-	147,455
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES	5,269	35,661	40,930
	<hr/>	<hr/>	<hr/>
FUND BALANCE - JULY 1	113,153	91,412	204,565
	<hr/>	<hr/>	<hr/>
FUND BALANCE - JUNE 30	<u>\$ 118,422</u>	<u>\$ 127,073</u>	<u>\$ 245,495</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property Tax	\$ 1,180,825	\$ 1,180,819	\$ (6)
Interest Income	87,401	87,432	31
Tuition and fees	-	-	-
Rental of building	1,540	1,560	20
Transfer from Student Activities	2,808	2,808	-
Other	56,845	110,370	53,525
TOTAL REVENUE FROM LOCAL SOURCES	<u>1,329,419</u>	<u>1,382,989</u>	<u>53,570</u>
REVENUE FROM STATE SOURCES:			
State aid	4,142,985	4,175,214	32,229
Drivers education	-	-	-
Preschool program	119,000	119,000	-
Other State Grants	81,259	44,839	(36,420)
TOTAL REVENUE FROM STATE SOURCES	<u>4,343,244</u>	<u>4,339,053</u>	<u>(4,191)</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	128,939	128,939	-
Title VI	-	-	-
IDEA Project #080450-0708	35,600	38,895	3,295
Title II	59,027	59,027	-
Title V	2,181	2,181	-
Other Federal Grants	1,854	2,354	500
TOTAL REVENUE FROM FEDERAL SOURCES	<u>227,601</u>	<u>231,396</u>	<u>3,795</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,900,264</u>	<u>\$ 5,953,438</u>	<u>\$ 53,174</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Basic Programs:			
Elementary			
Professional Salaries	\$ 849,644	\$ 849,642	\$ 2
Non-Professional Salaries	65,974	66,027	(53)
Benefits	319,269	320,062	(793)
FICA & Retirement	223,918	223,882	36
Purchased Services	19,082	19,082	-
Supplies	17,071	33,142	(16,071)
Capital Outlay	209	209	-
Miscellaneous	920	967	(47)
Total Elementary	<u>1,496,087</u>	<u>1,513,013</u>	<u>(16,926)</u>
Secondary			
Professional Salaries	792,171	782,983	9,188
Non-Professional Salaries	22,927	22,932	(5)
Benefits	254,829	254,828	1
FICA & Retirement	197,123	194,788	2,335
Purchased Services	31,976	31,966	10
Supplies	41,354	78,765	(37,411)
Capital Outlay	1,239	1,239	-
Miscellaneous	1,941	2,268	(327)
Total Secondary	<u>1,343,560</u>	<u>1,369,769</u>	<u>(26,209)</u>
Added Needs:			
Technology Literacy Grant			
Purchased Services	983	983	-
Supplies	229	229	-
Total Technology Literacy Grant	<u>1,212</u>	<u>1,212</u>	<u>-</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
IDEA Project #080450-0708:			
Professional Salaries	\$ 28,624	\$ 28,624	-
Benefits	-	-	-
FICA & Retirement	6,976	6,976	-
Total IDEA:	<u>35,600</u>	<u>35,600</u>	<u>-</u>
Special Education & Speech Therapy:			
Professional Salaries	156,436	156,435	\$ 1
Non-Professional Salaries	51,753	51,781	(28)
Benefits	75,974	75,972	2
FICA & Retirement	51,100	51,299	(199)
Purchased Services	687	692	(5)
Supplies	6,171	6,169	2
Capital Outlay	642	642	-
Total Special Education & Speech Therapy:	<u>342,763</u>	<u>342,990</u>	<u>(227)</u>
Gifted and Talented:			
Professional Salaries	600	600	-
FICA & Retirement	147	146	1
Purchased Services	-	-	-
Supplies	-	-	-
Miscellaneous	-	-	-
Total Gifted and Talented	<u>747</u>	<u>746</u>	<u>1</u>
Compensatory Education (Title I):			
Professional Salaries	62,634	62,634	-
Non-Professional Salaries	31,963	31,963	-
Benefits	8,000	7,999	1
FICA & Retirement	23,173	23,171	2
Purchased Services	2,683	2,682	1
Supplies	486	485	1
Miscellaneous	-	-	-
Total Compensatory Education	<u>128,939</u>	<u>128,934</u>	<u>5</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION, (Continued):			
Added Needs, (Continued):			
Title V:			
Purchased Services	-	-	-
Supplies	\$ 2,181	\$ 2,181	-
Total Title V	<u>2,181</u>	<u>2,181</u>	<u>-</u>
Compensatory Education (At-Risk):			
Professional Salaries	63,994	63,994	\$ -
Non-Professional Salaries	48,872	48,872	-
Benefits	12,467	14,969	(2,502)
FICA & Retirement	28,094	28,093	1
Purchased Services	-	-	-
Supplies	-	-	-
Capital Outlay	<u>2,660</u>	<u>-</u>	<u>2,660</u>
Total Compensatory Education (At-Risk):	<u>156,087</u>	<u>155,928</u>	<u>159</u>
Title II, Part A:			
Professional Salaries	43,170	43,170	-
Benefits	4,090	4,090	-
FICA & Retirement	10,555	10,554	1
Payment to I.S.D.	-	-	-
Purchased Services	<u>-</u>	<u>-</u>	<u>-</u>
Total Title II, Part A	<u>57,815</u>	<u>57,814</u>	<u>1</u>
Adult Continuing Education:			
Non-Professional Salaries	-	-	-
Benefits	-	-	-
FICA & Retirement	-	-	-
Purchased Services	<u>-</u>	<u>-</u>	<u>-</u>
Total Adult Continuing Education	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL INSTRUCTION:	<u>3,564,991</u>	<u>3,608,187</u>	<u>(43,196)</u>



**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES:			
Pupil Services:			
Guidance Services:			
Professional Salaries	\$62,741	\$62,741	\$ -
Non-Professional Salaries	13,717	13,717	-
Benefits	91	1,145	(1,054)
FICA & Retirement	18,331	17,759	572
Purchased Services	656	655	1
Supplies	1,965	1,965	-
Capital Outlay	1,107	1,107	-
Total Guidance Services	<u>98,608</u>	<u>99,089</u>	<u>(481)</u>
Drug Education			
Purchased Services	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Total Drug Education	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Library			
Professional Salaries	-	-	-
Non-Professional Salaries	39,080	39,077	3
Benefits	12,634	12,633	1
FICA & Retirement	9,455	9,482	(27)
Purchased Services	4,742	4,740	2
Supplies	7,402	7,400	2
Capital Outlay	539	538	1
Total Library	<u>73,852</u>	<u>73,870</u>	<u>(18)</u>
General Administration:			
Professional Salaries	116,367	116,365	2
Non-Professional Salaries	30,233	30,233	-
Insurance Benefits	23,452	23,451	1
FICA & Retirement	38,049	37,475	574
Other Benefits	17,443	17,442	1
Purchased Services	28,274	27,748	526
Supplies	3,662	3,687	(25)
Capital Outlay	480	480	-
Miscellaneous	2,550	2,584	(34)
Total General Administration	<u>260,510</u>	<u>259,465</u>	<u>1,045</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Pupil Services, (Continued):			
School Administration:			
Professional Salaries	\$ 155,860	\$ 155,858	\$ 2
Non-Professional Salaries	69,340	69,338	2
Insurance Benefits	54,967	54,967	-
FICA & Retirement	60,142	60,645	(503)
Other Benefits	29,946	29,946	-
Purchased Services	2,840	2,838	2
Supplies	6,195	6,193	2
Capital Outlay	-	-	-
Miscellaneous	-	-	-
Total School Administration	<u>379,290</u>	<u>379,785</u>	<u>(495)</u>
Business - Fiscal Services:			
Salaries	55,712	55,712	-
FICA & Retirement	13,748	13,878	(130)
Benefits	17,650	17,649	1
Payments to ISD	2,800	2,724	76
Purchased Services	36,158	36,258	(100)
Total Business - Fiscal Services	<u>126,068</u>	<u>126,221</u>	<u>(153)</u>
Business - Other Business Services:			
Capital Outlay	<u>157,380</u>	<u>157,380</u>	<u>-</u>
Total Other Business Services	<u>157,380</u>	<u>157,380</u>	<u>-</u>
Operation of Plant:			
Professional Salaries	39,846	39,846	-
Non-Professional Salaries	130,569	130,380	189
Benefits	44,038	44,038	-
FICA & Retirement	45,130	44,068	1,062
Purchased Services	80,637	80,973	(336)
Supplies	137,080	137,739	(659)
Capital Outlay	878	878	-
Miscellaneous	-	-	-
Total Operation of Plant	<u>478,178</u>	<u>477,922</u>	<u>256</u>
Pupil Transportation:			
Professional Salaries	45,029	45,029	-
Non-Professional Salaries	150,419	150,888	(469)
Benefits	62,954	62,953	1
FICA & Retirement	53,831	53,055	776
Purchased Services	13,242	13,257	(15)
Supplies	89,159	89,736	(577)
Capital Outlay	67,073	67,072	1
Miscellaneous	13,481	13,504	(23)
Total Pupil Transportation	<u>495,188</u>	<u>495,494</u>	<u>(306)</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Central Services:			
Professional Salaries	\$ 56,106	\$ 56,105	\$ 1
Purchased Services	57,370	57,180	190
Supplies	3,800	3,714	86
FICA & Retirement	19,460	19,427	33
Benefits	14,048	14,048	-
Total Central Services	150,784	150,474	310
Student Activities:			
Professional Salaries	6,820	6,819	1
Non-Professional Salaries	8,273	8,273	-
Benefits	3,548	3,548	-
FICA & Retirement	3,718	3,902	(184)
Total Student Activities	22,359	22,542	(183)
Support for Agency Funds			
Non-Professional Salaries	8,273	8,273	-
Benefits	3,548	3,548	-
FICA & Retirement	2,042	2,061	(19)
Total Support for Agency Funds	13,863	13,882	(19)
TOTAL SUPPORTING SERVICES	2,259,080	2,259,124	(44)
COMMUNITY SERVICES			
Driver's Education			
Professional Salaries	-	-	-
FICA & Retirement	-	-	-
Purchased Services	-	-	-
Supplies	-	-	-
Total Driver's Education	-	-	-
Summer Programs			
Professional Salaries	2,767	2,188	579
Non-Professional Salaries	6,162	4,962	1,200
FICA & Retirement	1,169	935	234
Supplies	157	156	1
Miscellaneous	-	-	-
Total Summer Programs	10,255	8,241	2,014

**DECKERVILLE COMMUNITY SCHOOLS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES**  
**COMPARED TO BUDGET**  
**YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
COMMUNITY SERVICES, (Continued):			
State-Funded Pre-School			
Professional Salaries	\$ 41,900	\$ 41,900	-
Non-Professional Salaries	24,552	24,551	\$ 1
Benefits	1,679	1,678	1
FICA & Retirement	19,767	19,764	3
Purchased Services	10,007	10,007	-
Supplies	18,203	18,262	(59)
Capital Outlay	2,722	2,721	1
Miscellaneous	170	169	1
Total State-Funded Pre-School	<u>119,000</u>	<u>119,052</u>	<u>(52)</u>
TOTAL COMMUNITY SERVICES	<u>129,255</u>	<u>127,293</u>	<u>1,962</u>
OTHER FINANCING USES:			
Transfer to Athletic fund	146,992	147,455	(463)
Payment to ISD	-	-	-
Transfer to QZAB Bond Program	<u>76,153</u>	<u>76,153</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 6,176,471</u>	<u>\$ 6,218,212</u>	<u>\$ (41,741)</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u><b>FOOD SERVICES</b></u>	<u><b>ATHLETICS</b></u>	<u><b>COMBINED</b></u>
<b><u>ASSETS</u></b>			
Cash in bank	\$ 102,790	\$ 94	\$ 102,884
Accounts Receivable	23,000	-	23,000
Due from other funds		-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b><u>\$ 125,790</u></b>	<b><u>\$ 94</u></b>	<b><u>\$ 125,884</u></b>
 <b><u>LIABILITIES &amp; FUND BALANCE</u></b>			
LIABILITIES:			
Accounts Payable	\$ 7,462	-	\$ 7,462
TOTAL LIABILITIES	7,462	-	7,462
FUND BALANCE	<hr/> 118,328	<hr/> \$ 94	<hr/> 118,422
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 125,790</u></b>	<b><u>\$ 94</u></b>	<b><u>\$ 125,884</u></b>

**DECKERVILLE COMMUNITY SCHOOLS**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
June 30, 2008

	<u>FOOD SERVICES</u>	<u>ATHLETICS</u>	<u>COMBINED</u>	<u>COMBINED BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Sale of meals & milk	\$ 132,557		\$ 132,557	\$ 132,557	\$ -
Admissions		\$ 48,279	48,279	48,280	(1)
Interest	731	28	759	730	29
Sale of supplies			-		-
Other	<u>1</u>	<u>2,987</u>	<u>2,988</u>	<u>2,533</u>	<u>455</u>
<b>Total Local Sources</b>	<u>133,289</u>	<u>51,294</u>	<u>184,583</u>	<u>184,100</u>	<u>483</u>
<b>State Sources:</b>					
State Lunch Aid	26,662		26,662	24,003	2,659
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total State Sources</b>	<u>26,662</u>	<u>-</u>	<u>26,662</u>	<u>24,003</u>	<u>2,659</u>
<b>Federal Sources:</b>					
National School Lunch Program	169,713		169,713	166,250	3,463
USDA Commodities	<u>16,941</u>	<u>-</u>	<u>16,941</u>	<u>-</u>	<u>16,941</u>
<b>Total Federal Sources</b>	<u>186,654</u>	<u>-</u>	<u>186,654</u>	<u>166,250</u>	<u>20,404</u>
<b>TOTAL REVENUE</b>	<u>346,605</u>	<u>51,294</u>	<u>397,899</u>	<u>374,353</u>	<u>23,546</u>
<b>EXPENDITURES:</b>					
<b>School Service Activities:</b>					
Professional salaries	67,235	108,978	176,213	172,005	(4,206)
Employee benefits	24,421	34,098	58,519	58,145	(374)
Federal free food	154,560		154,560	137,619	(16,941)
Purchased services	75,481	23,680	99,161	91,705	(7,456)
Supplies & other costs	11,844	3,699	15,543	15,357	(186)
Capital Outlay	4,815	11,083	15,878	15,281	(597)
Miscellaneous	<u>2,779</u>	<u>17,432</u>	<u>20,211</u>	<u>24,413</u>	<u>4,202</u>
<b>TOTAL EXPENDITURES</b>	<u>341,135</u>	<u>198,950</u>	<u>540,085</u>	<u>514,525</u>	<u>(25,560)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>5,470</u>	<u>(147,656)</u>	<u>(142,186)</u>	<u>(140,172)</u>	<u>(2,014)</u>
<b>OTHER FINANCING SOURCES:</b>					
Transfers from General Fund		147,455	147,455	4,200	143,255
<b>EXCESS OF REVENUES OVER EXPENDITURES &amp; OTHER SOURCES</b>	<u>5,470</u>	<u>(201)</u>	<u>5,269</u>	<u>\$ (135,972)</u>	<u>\$ 141,241</u>
<b>FUND BALANCE - JULY 1</b>	<u>112,858</u>	<u>295</u>	<u>113,153</u>		
<b>FUND BALANCE - JUNE 30</b>	<u>\$ 118,328</u>	<u>\$ 94</u>	<u>\$ 118,422</u>		

**DECKERVILLE COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
June 30, 2008

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
<b><u>ASSETS</u></b>				
Cash in bank		\$ 593	\$ -	\$ 593
Investments	\$ 533,071	126,480	-	659,551
<b>TOTAL ASSETS</b>	<b><u>\$ 533,071</u></b>	<b><u>\$ 127,073</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 660,144</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>				
Reserved for debt service	\$ 533,071	\$ 127,073	\$ -	\$ 660,144
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 533,071</u></b>	<b><u>\$ 127,073</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 660,144</u></b>

**DECKERVILLE COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**YEAR ENDED JUNE 30, 2008**

	<u>QZAB BOND PROGRAM</u>	<u>1995 DEBT SERVICE</u>	<u>DURANT DEBT SERVICE</u>	<u>TOTAL DEBT SERVICE</u>
REVENUES FROM LOCAL SOURCES:				
Local Sources:				
Current tax levy		\$ 396,430		\$ 396,430
Miscellaneous		-		-
Interest on investments		4,993		4,993
Total Local Sources		401,423		401,423
State Sources			\$ -	-
TOTAL REVENUES		401,423	-	401,423
EXPENDITURES:				
Bond principal		330,000	-	330,000
Bond interest		35,214	-	35,214
Bond fees and charges		225	-	225
Tax abatement		323	-	323
TOTAL EXPENDITURES		365,762	-	365,762
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES		35,661	-	35,661
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	\$ 76,153	-		76,153
TOTAL OTHER FINANCING SOURCES (USES)	76,153	-	-	76,153
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	76,153	35,661	-	111,814
FUND BALANCE - JULY 1	456,918	91,412	-	548,330
FUND BALANCE - JUNE 30	<u>\$ 533,071</u>	<u>\$ 127,073</u>	<u>\$ -</u>	<u>\$ 660,144</u>



**DECKERVILLE COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS,**  
**CASH DISBURSEMENTS, AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2008**

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2008</u>
<b>GENERAL FUND ACTIVITIES:</b>				
Annual	\$ 1,957			\$ 1,146
Band	53			-
Board of Education	650			676
Board members	93			146
Book deposit	-			-
Bookstore	374			309
Cheerleaders	1,323			1,196
Swimming pool	2,237			1,278
Petty cash	1,866			1,846
Shop supplies	144			-
Art	248			312
Science	316			316
Enrichment classes	420			-
Sale of supplies and used items	-			-
Field trips	-			-
Cheerleaders-Junior High	448			448
Copies and postage	-			-
Driver education	-			-
Vending machines	13,800			10,658
Interest	19,957			22,255
	<u>43,886</u>	<u>\$ 50,862</u>	<u>\$ 54,162</u>	<u>40,586</u>
<b>TOTAL GENERAL FUND</b>	<u>43,886</u>	<u>\$ 50,862</u>	<u>\$ 54,162</u>	<u>40,586</u>
<b>STUDENT ACTIVITIES:</b>				
Band Boosters	14,465			20,439
Advanced program	1,821			1,821
Class of 2000	2,024			2,024
Class of 2001	808			808
Class of 2002	271			271
Class of 2003	945			945
Class of 2004	674			674
Class of 2005	239			239
Class of 2006	1,515			1,515
Class of 2007	337			337
Class of 2008	4,353			572
Class of 2009	5,343			3,266
Class of 2010	2,595			2,466
Class of 2011	2,774			3,005
Class of 2012	2,006			1,949
Class of 2013	5,953			2,597
Class of 2014	-			2,715
GOLF	-			115

**DECKERVILLE COMMUNITY SCHOOLS**  
**AGENCY FUND**  
**STATEMENT OF CASH RECEIPTS,**  
**CASH DISBURSEMENTS, AND LIABILITIES**  
**YEAR ENDED JUNE 30, 2008**

	<u>BALANCE</u> <u>JUNE 30,</u> <u>2007</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30,</u> <u>2008</u>
SCHOOL SERVICE ACTIVITIES (Continued):				
Baseball	\$ 2,631			\$ 1,022
Boys Basketball	1,440			924
Elementary Activities & Projects	745			1,870
Drama	3,305			3,187
Fifth Grade Economics Project	97			87
Girls Basketball	714			26
Greenfield Village Trip	7,396			8,660
Student Enrichment	1,594			-
Kindergarten Cookies	347			329
F.F.A.	1,408			1,408
Foods Class	153			100
High School Student Council	395			148
Volleyball	767			1,024
National Honor Society	4,105			4,468
Junior National Honor Society	472			472
T.L. Concession	31			31
Football	2,999			45
Close-up	9			9
Softball	487			786
S.A.D.D.	485			485
Bowling	1,066			318
Alternative Education	1			1
Physical Education Bowling	-			-
Equestrian Team	224			150
Internet	512			522
Mackinaw	395			518
Track	100			627
TOTAL STUDENT ACTIVITIES	<u>78,001</u>	<u>\$ 201,492</u>	<u>\$ 206,518</u>	<u>72,975</u>
TOTAL AGENCY FUNDS	<u>\$ 121,887</u>	<u>\$ 252,354</u>	<u>\$ 260,680</u>	<u>\$ 113,561</u>

**DECKERVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2004 REFUNDING BONDS**  
June 30, 2008

Purpose of Issue: Erecting, furnishing and equipping elementary and secondary school additions to and partially remodeling and partially re-equipping the building, acquiring, partially installing and equipping the facility for instructional technology; and developing and improving the site. The original bonds issued in 1995 were refinanced in March, 2004.

<u>DUE DATE</u>	<u>PRINCIPAL</u>	<u>RATES</u>	<u>INTEREST DUE</u>	<u>PAYMENT DUE</u>
11/1/2008			\$13,852	\$13,852
5/1/2009	\$335,000	2.625	13,852	348,852
11/1/2009			9,455	9,455
5/1/2010	345,000	2.60	9,455	354,455
11/1/2010			4,970	4,970
5/1/2011	<u>355,000</u>	2.80	<u>4,970</u>	<u>359,970</u>
<b>TOTAL</b>	<u><u>\$ 1,035,000</u></u>		<u><u>\$ 56,554</u></u>	<u><u>\$ 1,091,554</u></u>

The bonds are not subject to optional redemption prior to maturity.

**DECKERVILLE COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT - DURANT BONDS**  
June 30, 2008

\$59,383 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 3,305	\$ 865	2009	\$ 4,170
3,462	708	2010	4,170
3,627	543	2011	4,170
3,799	370	2012	4,169
20,733	7,285	2013	28,018
<u>\$ 34,926</u>	<u>\$ 9,771</u>		<u>\$ 44,697</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the School Aid Payments directly to the Authority's Depository.



# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA  
Valerie J. Hartel, CPA  
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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 13, 2008

To the Board of Education  
Deckerville School District  
Deckerville, MI 48427

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Deckerville Community Schools' basic financial statements and have issued our report thereon dated August 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Deckerville Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies that we considered to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement in the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant in internal control over financial reporting.

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To the Board of Education  
August 13, 2008

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2008-1 and 2008-2 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Deckerville Community Schools' financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Deckerville District Schools in a separate letter dated August 13, 2008.

Deckerville Community Schools' responses to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Deckerville Community School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

August 13, 2008

To the Board of Education  
Deckerville School District  
Deckerville, MI 48441

## Schedule of Finding and Responses

### Findings considered significant deficiencies

#### **Finding 2008-1**

##### Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

##### Condition:

Currently, the District's staff requests the external auditor's assistance in the preparation of the annual financial statements and related footnotes.

##### Context:

External assistance is required to prepare the annual financial statements and related footnotes.

##### Effect:

Utilization of the external auditor in preparing the financial statements and related footnotes to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

##### Cause:

The staff of the district does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the financial statements and footnotes to the financial statements.

##### Recommendation:

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

August 13, 2008

To the Board of Education  
Deckerville School District  
Deckerville, MI 48441

## Schedule of Finding and Responses

### Findings considered significant deficiencies

#### **Finding 2008-2**

##### Criteria:

Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client has a small staff that limits the segregation of duties.

##### Condition:

Due to the limited number of staff, many critical duties are combined and given to the available staff and/or board members.

##### Context:

Internal controls are weakened due to the lack of segregation of duties.

##### Effect:

Other staff members and/or board members must be utilized in order to achieve good internal controls.

##### Cause:

The district doesn't have enough staff in the business office to have a proper segregation of duties.

##### Recommendation:

At this time, we recommend the district segregate the duties whenever possible and communicate this as required by professional standards. The correct process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.





# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Robert L. Tuckey, CPA

August 13, 2008

To the Members of the Board  
Deckerville Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Deckerville Community Schools for the year ended June 30, 2008, and have issued our report thereon dated August 13, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 11, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 11, 2008.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Deckerville Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$252,432. We evaluated the key factors and assumptions used to develop the estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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Members of the Board  
August 13, 2008  
Page two

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 13, 2008.

*Management Consultations with Other Independent Accountants*

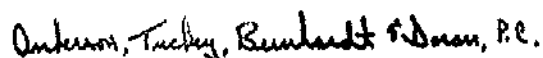
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Deckerville Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants